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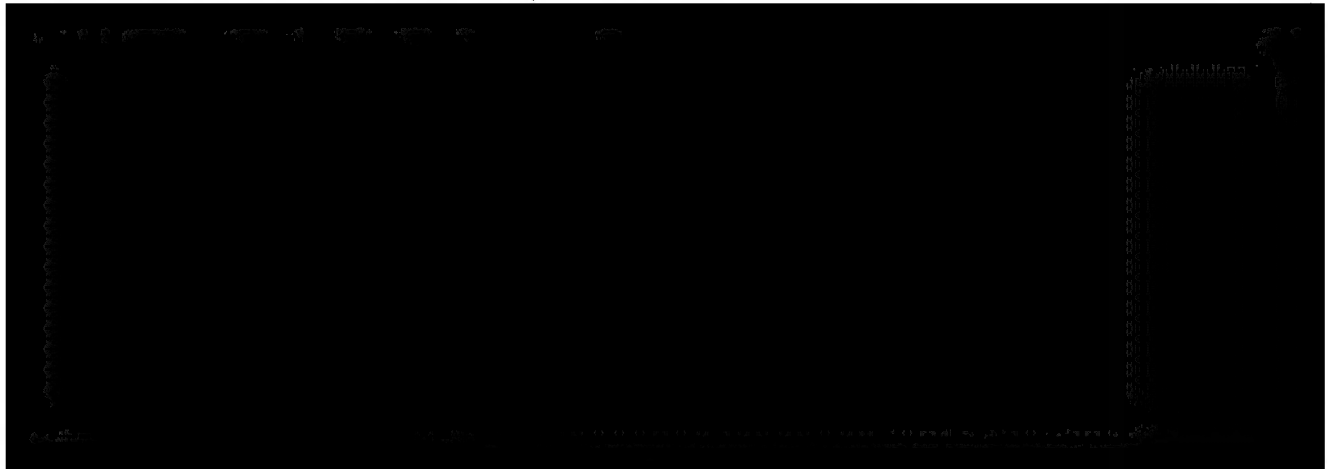
TAB A

CONCLUSIONS AND RECOMMENDATIONS ON WHICH ACTION  
HAS BEEN COMPLETED OR WHICH ARE IN PROCESS OF  
BEING ACTED UPON

CONCLUSION AND RECOMMENDATION NO. 1

The Office of the Comptroller has been commended for the continuing progress made in carrying out its responsibilities so efficiently.

25X1A CONCLUSION AND RECOMMENDATION NO. 4



25X1A In addition to revising regulations pertaining to advances, the Office of the Comptroller has been actively engaged in reducing delinquencies. After due notice, payroll deductions are being effected in those



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For the March DCI Staff Meeting the Comptroller presented to the Deputy Director (Support) an item relating to delinquent advances for inclusion on the DCI agenda. The Deputy Director Central Intelligence concluded that the subject of delinquent advances was not a proper subject to be placed on the agenda for the Director's Staff Meeting. The

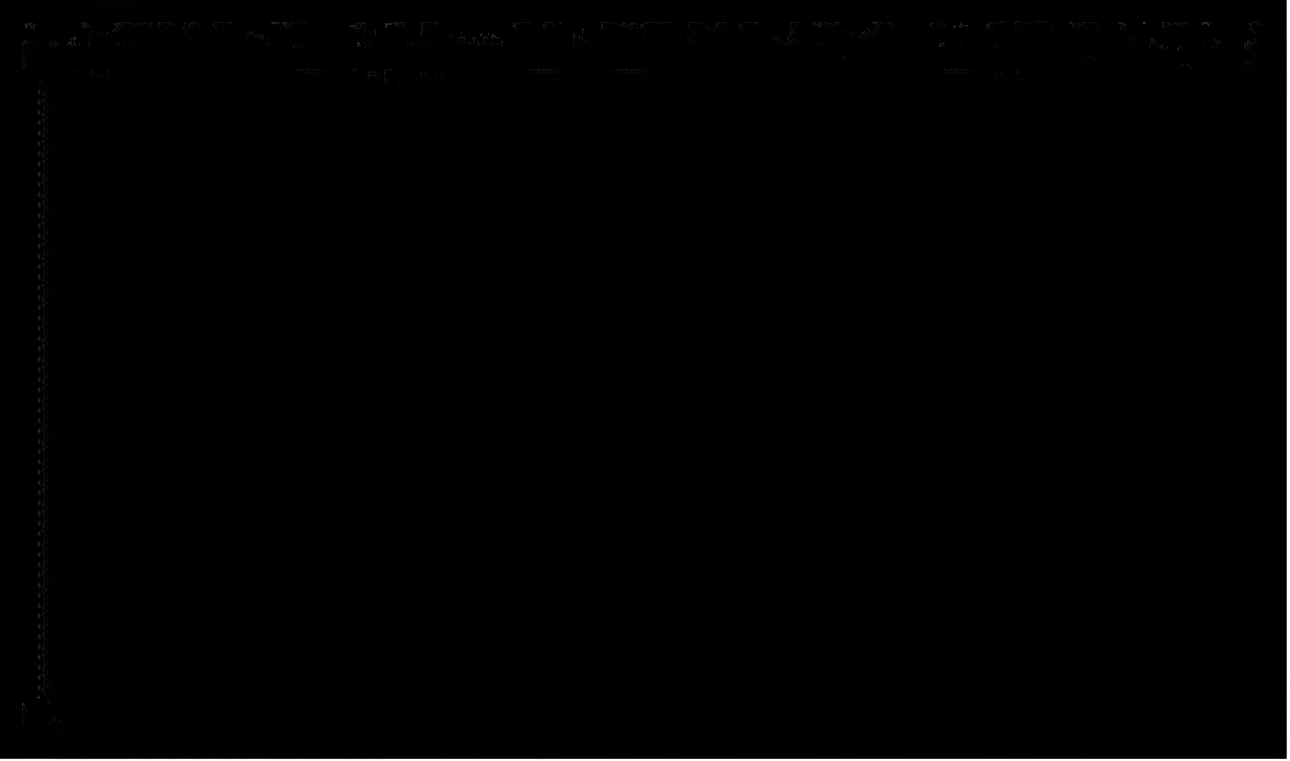
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action taken by the Comptroller complied with the recommendation of the Inspector General that the Director place on the agenda of his Staff Meeting periodically the subject of delinquent advances.

CONCLUSION AND RECOMMENDATION NO. 5


25X1A The recommendation that the Director of Central Intelligence should not exempt procurement contracts between the Agency and private firms from administrative audit meets with the full approval of the Deputy Director (Support) and the Office of the Comptroller. It is further recommended that most, if not all, research and development contracts be placed in the same category. It is not believed necessary to write a specific regu-



CONCLUSION AND RECOMMENDATION NO. 9

The subject of integration of planning and programming with the budget is a long-term problem on which work has been progressing for over two years and one which will require continuous work in the future.

25X1A The PPC-DD/P has been reworking the program planning papers. The Office of the Comptroller has been actively discussing these papers as they are developed with the view of obtaining the maximum of coordination between planning and budgeting. The objectives of this coordination effort has been to assure the use of uniform categories and classifications in planning, programming, and budgeting with the objective that information furnished to the Director through planning papers will be in the same terms as will later be reflected in the budget presented to the Bureau of the Budget and the Congress. In addition, a series of meetings have been



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CONCLUSION AND RECOMMENDATION NO. 11

The preparation and release of a Budget Manual is now in process. One section of a Budget Manual has been released to the Regulations Control Staff and two additional sections are now in the process of preparation and it is estimated the manual will be completed by 15 November 1955.

CONCLUSION AND RECOMMENDATION NO. 12

The operating budget procedure has been completely reworked and the revised procedure is being used in connection with the operating budget

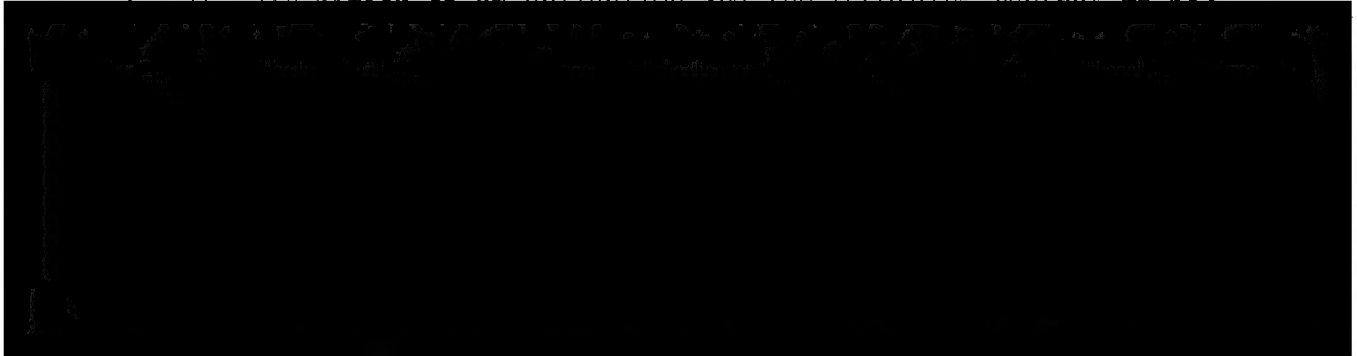
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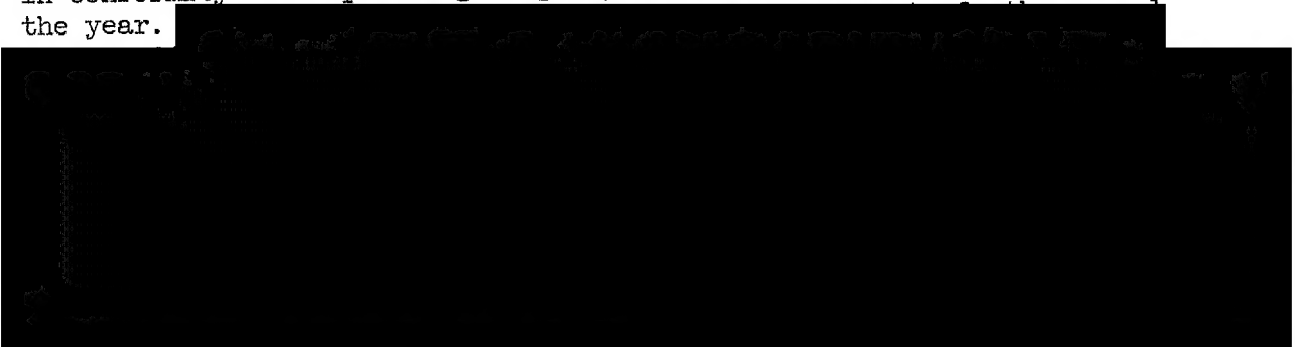
25X1A the fiscal year 1956. The Comptroller's Office developed instructions  
regarding the definition of an obligation and the recording thereof as set



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It is the view of the Comptroller's Office that present regulatory  
issuances adequately provide that funds will be obligated and expended  
in conformity with operating budgets, as amended during the course of  
the year.

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#### CONCLUSION AND RECOMMENDATION NO. 16

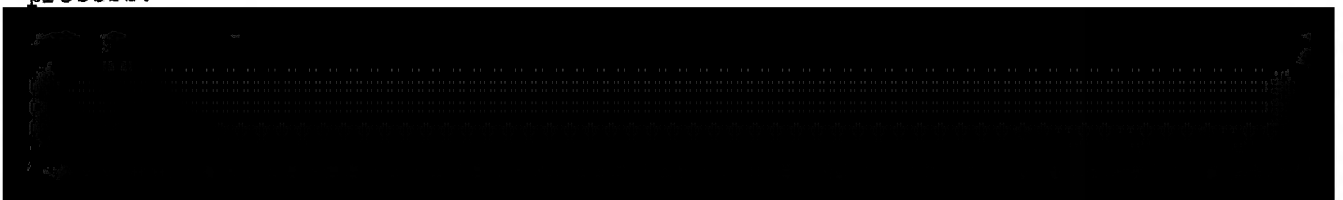
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a. and b. A comprehensive analysis of the financial practices of  
all field stations is being prepared every four months. This analysis  
is submitted to the Station Chief of each station



c. Such procedures have been developed and distributed to field  
stations. Improvement and refinement of such procedures is a continuing  
process.

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e. This recommendation was carried out last year. Specific attention  
has been given to the incorporation of fiscal subjects in operations courses  
and there have been assigned three individuals to the Office of Training  
who are working on a full-time basis on the development of such material  
and the conduct of the Office of Training courses involving financial and  
other administrative subjects.

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CONCLUSION AND RECOMMENDATION NO. 24

The Finance Division of the Comptroller's Office has established a division operating procedure which formalized its "on the job" training program for division administrative personnel. This procedure establishes specific responsibility for the various phases of "on the job" training to be given by the Finance Division and requires the completion of a Trainee Check list at the completion of training to assure that training appropriate to the assignment has been given and to provide an evaluation of the aptitude and interest of the trainee.

Following completion of "on the job" training by an employee, a memorandum is directed to the Area Division concerned indicating the scope of the training given and the evaluation of the employee's apparent ability to discharge finance responsibility of the type contemplated. To date, in no instance has an Area Division indicated dissatisfaction with the "on the job" training given its employees by Finance Division. On the contrary, the Chief of Administration and Personnel Officer of the Division which has furnished over half the trainees, have indicated that they are pleased with the program.

It is agreed that DD/P should budget the training and processing time of administrative personnel to insure proper training by the Finance Division and every effort will be made to assume that this is accomplished.

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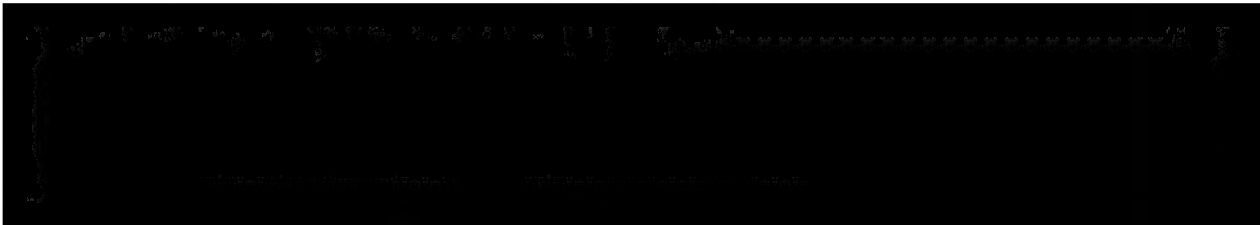
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The Comptroller's Office is proceeding on such selections in accordance with Agency Regulations. In the meanwhile, the Comptroller is developing general long-range plans which will be consistent with the Agency Career Service Program, and he does have realistic plans for the replacement and rotation of individual employees between headquarters and overseas stations and the development and utilization of the talents and skills of all of his employees through job rotation and training.

CONCLUSION AND RECOMMENDATION NO. 28

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CONCLUSION AND RECOMMENDATION NO. 30

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CONCLUSION AND RECOMMENDATION NO. 31

The items contained in the "Discussion" section of the Inspector General's report concerning fiscal management procedures and administration of the Office of the Comptroller on which action has been completed or is in process are included below by paragraph number as they appear in the report.

a. Paragraph IV. D. (2)

A regulation has been prepared by the Office of the Comptroller and is now in process of coordination which will require that financial

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statements submitted by projects to the Agency be supported by a certificate signed by the responsible operations officer and approved by the division approving officer attesting that the latter has (a) reviewed the financial reports submitted by the case officer; (b) approved all expenditures as having been made in the interest of the Agency; (c) reviewed the current reports of accomplishment; and (d) indicated that the continuance of the project is warranted. In developing this regulation the recommendation of the Inspector General that the certificate also include an attestation that the Comptroller has been notified of changes in the basic administrative plan has been disregarded inasmuch as the Office of the Comptroller has knowledge when they are made by participating in concurrences and by receiving copies of all such changes directly from the Project Administrative Planning Staff.

b. Paragraph IV. D. (3)

As stated under "Conclusion and Recommendation No. 4" appropriate amendments to the regulation pertaining to advances have been completed by the Office of the Comptroller and have been published by the Regulations Control Staff or will be published very soon.

c. Paragraph IV. E. (2) and (3)

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e. Paragraph V. A. (1)

The Comptroller has approved the revision of the responsible and additional personnel requirements of the Budget Division including the establishment of branches and a formal internal organizational pattern for the Division. These proposed revisions are being reviewed by the Office of Personnel and will be implemented by the Comptroller within the very near future.

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f. Paragraph V. A. (4)

The Budget Division, Office of the Comptroller is in the process of completing evaluation reports for all of its employees and it is contemplated when the branch-type of organization is formalized the supervisor of each branch will thereafter prepare personnel evaluation reports.

25X1A Paragraph V. A. (6)

[REDACTED]

25X1A h. Paragraph V. B. (1)

A memorandum was forwarded from the Office of the Comptroller to the Office of Personnel on 30 November 1954 requesting an audit of all positions in the Fiscal Division. This audit has been completed and has resulted in [REDACTED] upgraded.

i. 25X1A Paragraph V. B. (4)

[REDACTED]

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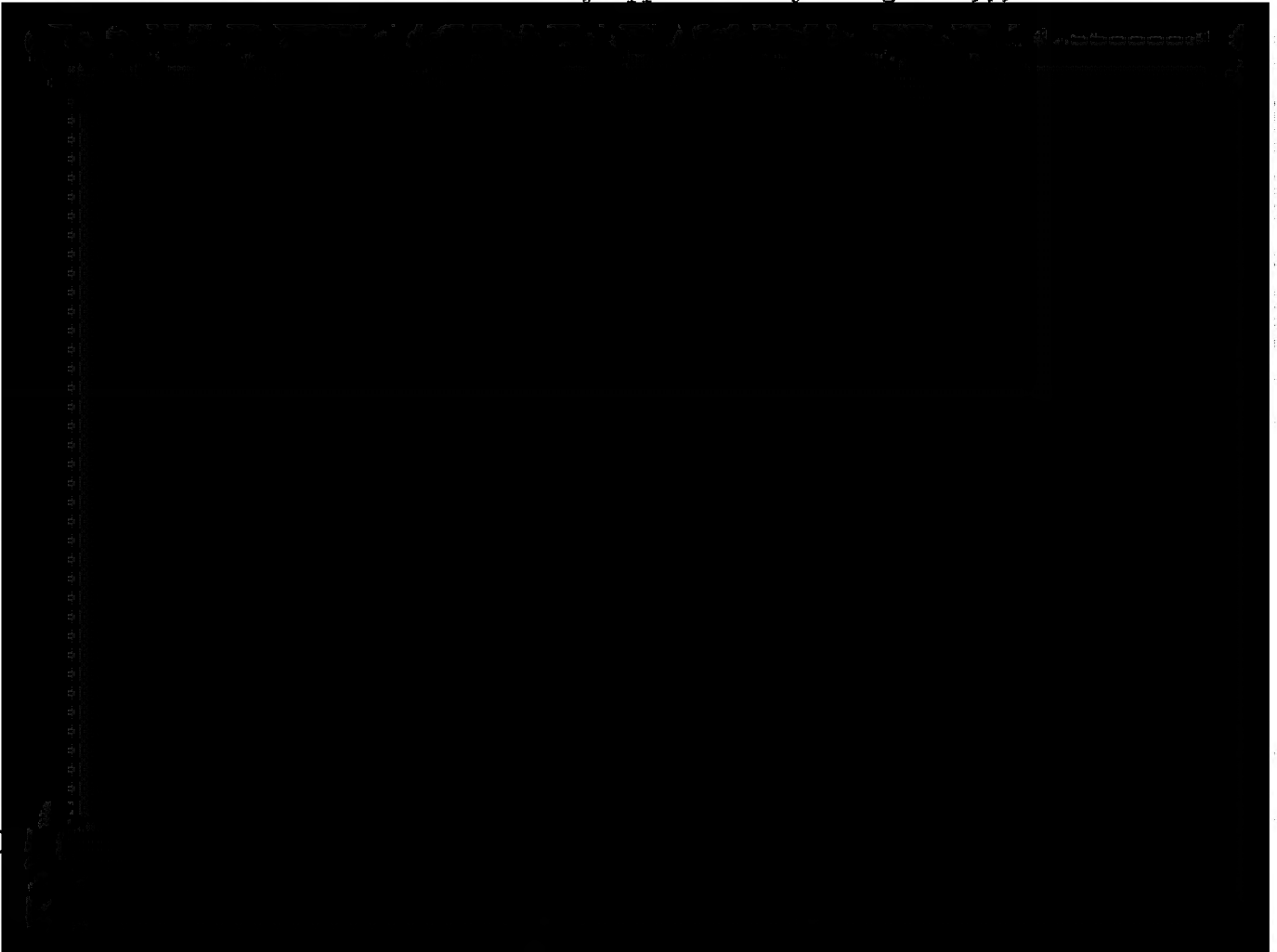
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j. Paragraph V. C. (4)

25X1A A memorandum was sent from the Office of the Comptroller to the Office of Personnel on 30 November 1954 requesting an audit of all positions in the Payroll and Travel Branch, Finance Division. The Personnel Office has delayed making the requested audit until the Management Staff completes a survey now in process. It is estimated that the Office of Personnel will commence their survey approximately 8 August 1955.



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## CONCLUSION AND RECOMMENDATION NO. 6

The Deputy Director (Support) and the Office of the Comptroller have felt for some time that the full potential of program analysis was not being utilized, and this point was emphasized at the time the Program Analysis Staff was established in the Comptroller's Office. We believe that a comprehensive system of program analysis requires the integration and combination of quantitative data which can be compiled by the Comptroller's Office with the qualitative data which should be compiled by the operating offices.

The establishment of a program for the analysis of activities - financial and substantive - on an Agency-wide basis has the unqualified support of this Office. We are more than willing to assist in any program for the integration of the financial and statistical analyses with the operational analyses of Agency substantive operations so that an effective Program Analysis may be instituted on an over-all Agency basis. The Program Analysis Staff, Office of the Comptroller has been attempting to make constructive analyses of projects and other activities but has found that security and operational objections are raised to examining projects and activities in current operation and that, therefore, analysis has been confined principally to liquidated projects and such analyses are obviously of limited value.

This Office has prepared a memorandum (attached) for your signature to the Special Assistant to the Director for Planning and Coordination establishing a committee consisting of representatives of the DD/S, DD/I, and DD/P and requesting the Special Assistant to the Director for Planning and Coordination to organize the committee, act as chairman, and submit recommendations to the Director for maximum profitable utilization of Program Analysis throughout the Agency.

CONCLUSION AND RECOMMENDATION NO. 14

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The necessity for and advantages of handling of FI projects on a fiscal year basis is recognized by the FI Staff and that Staff has in conjunction with the Comptroller's Office issued procedures which require that projects will be broken down and approved by fiscal year. Such fiscal year approvals to be furnished the Comptroller's Office as a guide and limitation in the allotment of funds on a fiscal year basis. However, no progress has been made with respect to the problem of further grouping of small FI projects so that single allotments can be made to each field station to cover all of these small operations.

CONCLUSION AND RECOMMENDATION NO. 19  
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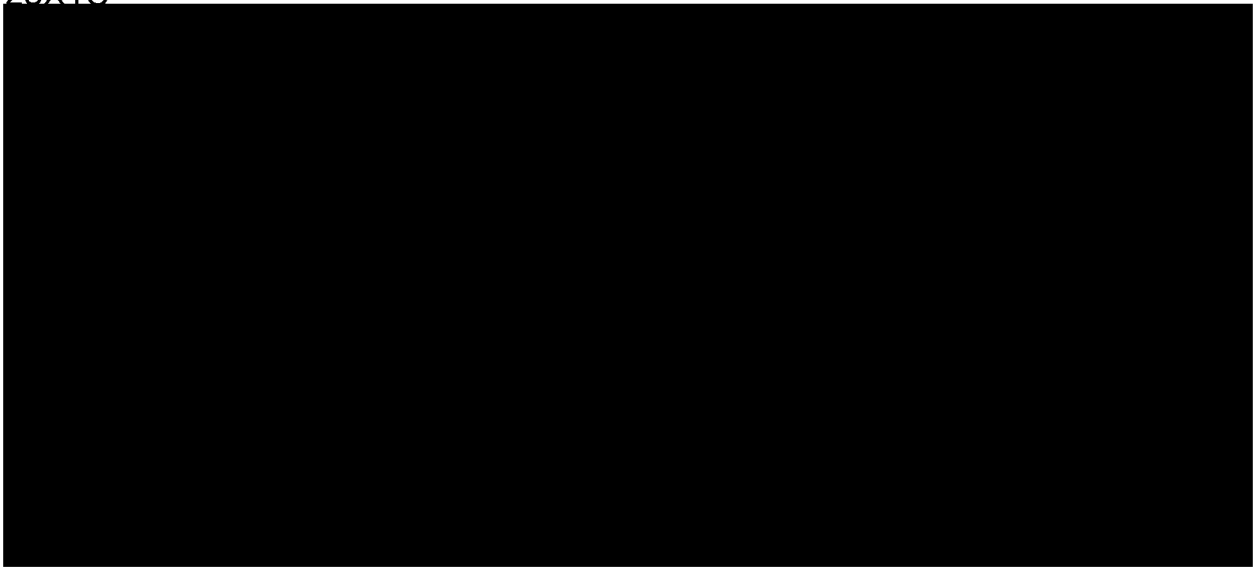
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CONCLUSION AND RECOMMENDATION NO. 25  
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CONCLUSION AND RECOMMENDATION NO. 29  
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CONCLUSIONS AND RECOMMENDATIONS ON WHICH THE  
DEPUTY DIRECTOR (SUPPORT) AND THE  
COMPTROLLER DO NOT CONCUR

CONCLUSION AND RECOMMENDATION NO. 8

The proposal to establish a Director's Budget Advisory Committee involves a question concerning the character of review of all phases of budget from the first brief examination of preliminary estimates to the final review and approval of specific operations with an attached authorization for a specific amount of money. Thus, it will be necessary to evaluate the approach made in the Agency to the budget review process. Basically, the policy has been to review the budget more critically in each succeeding step in the budget process. This process begins with the cursory review of preliminary estimates prior to the DCI policy meeting with the Director of the Bureau of the Budget (See comments on Recommendation No. 15) and culminates in the extensive review, including a considerable amount of staff work preparatory to consideration and recommendation by the Project Review Committee and final approval by the Director on the proposed projects and programs. It is believed that this progressively critical review is appropriate and effective for the type of operations being administered by CIA. It should be noted that one of the criticisms of budgeting in Government has been the emphasis on the formulation stage and the lack of emphasis on the execution phase of the budget. CIA has put emphasis on the execution phase. It is believed that maximum attention should be given to this last phase by the top administrative and program officers in the Agency.

The membership of the recommended Director's Budget Advisory Committee is substantially the same as that of the Project Review Committee. In view of the administrative and operating responsibilities to the individuals involved, the assignment of additional responsibilities to these individuals could only result in the lessening attention given to other areas of their responsibilities. The most important budget review process is the final decision as to whether an operation should or should not be initiated or be continued at the same or a higher or lower level. This decision is made on a project by project, program by program basis by the Project Review Committee. If any additional time is available to the members of the Project Review Committee, it is believed that a more searching review of operations by the Project Review Committee would be most beneficial to the Agency. The Budget process involves the formulation of the budget, which constitutes a compilation of very tentative plans. Before funds are made available by allotment for execution of the budget, however, a detailed review is made of individual proposed operations prior to authorizations of their initiation or continuance. It is the belief that, from a control point of view, it is much more important to have careful, complete, and thorough top-side review of operations at that time than to place emphasis on review of the tentative budget plans.

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It may be of interest to note that the Department of State has discontinued the use of the Budget Committee approach. This Office was informed that the Committee, when in operation, only reviewed the budget from a policy point of view. The Department of State's present budget process is about the same as that of CIA with some slight deviations.

The Department of Defense does use the Committee approach, e. g., the Air Force Budget Advisory Committee is chaired by the Director of the Budget who is organizationally responsible to the Comptroller of the Air Force. The Committee consists of the following officials:

- Assistant for Programming, DCS/O
- Director of Operations, DCS/O
- Assistant for Material Program Control, DCS/M
- Director of Personnel Planning, DCS/P
- Assistant for Development Programming, DCS/D
- Director of Budget, DCS/C
- Assistant Chief of Staff for Reserve Forces
- The Asst. Secretary of the Air Force (Management) without vote
- The Under Secretary and the Assistant Secretary (Material) of the Air Force or their representative -- to be invited as observers when matters under their cognizance are to be considered by the Budget Advisory Committee.

If a Budget Review Committee is established, it should be specifically understood that the members thereof will devote the time required from their other duties and responsibilities to review the estimates and justifications in more or less detail down to the Division level, which will require hearings every day for approximately a two-week period. Otherwise, the Committee will become a bottleneck which will result in delayed budget preparation and presentation to the Bureau of the Budget.

A review of past budget history within this Agency will reveal that at one time the budget was reviewed by a committee appointed by the National Security Council and at another time by the Project Review Committee. In fact, at one time the Agency regulations required the submission of unvouchered estimates to the Project Review Committee.

Based on the experience cited above this Office and the Office of the Comptroller do not agree that a Budget Review Committee would add to the budgeting process in the formulation and preparation stage of the budget. We do believe, however, that the Project Review Committee does serve a useful and essential purpose in reviewing proposed specific operations prior to their institution. This constitutes a policy review and, in addition, a substantial budget review during the execution stage of the budget.

25X1A CONCLUSION AND RECOMMENDATION NO. 13

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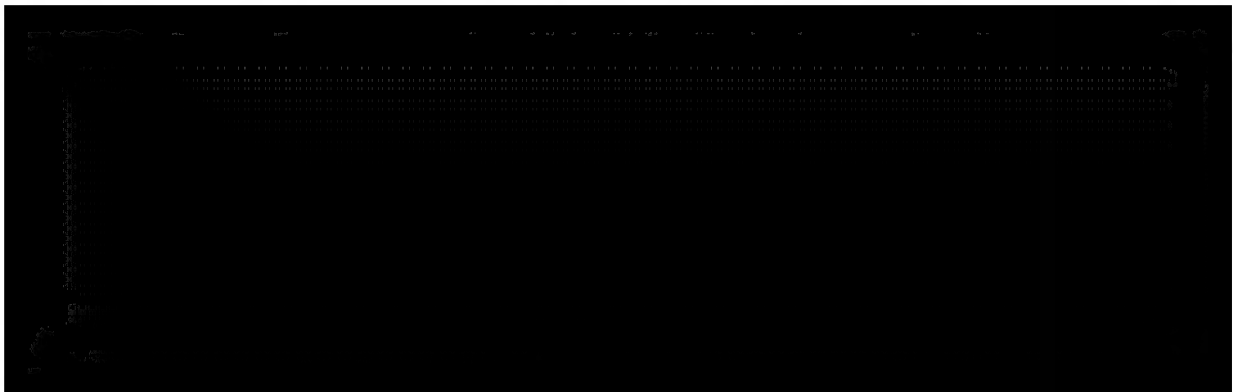
SUBJECT: Financial Responsibility of Individuals

1. Several instances have recently been brought to my attention by the Auditor-in-Chief which indicates that there may be certain employees who are not exercising the degree of financial management over projects or activities under their control which I consider desirable and necessary to the conduct of sound operations, and at the same time insure that official funds are properly utilized and accounted for. I am fully cognizant of the difficulties posed to formal accounting because of the necessity of security and cover and the proper protection of sources and identities. This fact, however, increases rather than diminishes the reliance which must be placed upon operating officials to exercise managerial skill, discretion, and sound judgment, and to render objective, accurate and prompt reports pertaining to financial activities under their control.

2. It is essential that the Agency be able to rely upon the integrity, intelligence and ability of the operating officials doing the job. Present Organization regulations are designed to give operations officers and station chiefs adequate discretionary authority respecting the financial management of projects under their jurisdiction, and to permit maximum flexibility which is desirable in conducting the type of operations in which this Organization is engaged. It is not my desire or intention to deprive operations officers of such discretionary authority and substitute a set of inflexible arbitrary restrictions, because I believe that it is largely by means of better men rather than highly refined regulations that effective financial management is likely to be attained.

3. It is essential, however, that all employees understand and adhere to the substantive provisions of Organization Regulations. Your attention is specifically directed to the following regulations.

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4. I want to make it clearly understood that I regard the failure or refusal of any employee of the Agency to properly utilize or protect Agency assets, or to report objectively, factually, and promptly on the status and specific disposition of Agency funds as a breach of trust. All supervisory officers of the Agency are hereby directed to take prompt and positive disciplinary action whenever such breaches of trust are detected.

5. All operations officers of the Agency have received training and have acquired experience in factual and objective reporting on intelligence matters. If they will use the same degree of integrity and objectivity in reporting upon financial matters, as is required in intelligence reporting, we will have established the basis for a sound financial accounting system which will best serve the Agency's interests.

ALLEN W. DULLES  
Director

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JUL 25 1955

MEMORANDUM FOR: Deputy Director (Plans)

SUBJECT : Study of Blanket Waivers With Respect to  
Projects for Purpose of Recommending to  
Director the Method for Handling Existing  
and Future Projects of This Type

1. The "Survey of the Office of the Comptroller" by the Inspector General recommended "The DD/A and DD/P should appoint a joint committee charged with the responsibility for making a detailed study of the problems and requirements of projects which have been given blanket waivers and recommend to the Director a method of handling existing and future projects of this type."

2. If you concur, it is requested that you advise the Comptroller as to those officers whom you wish to represent you on this committee. I have asked him to chair this committee to engage in the study outlined, and prepare appropriate recommendations for the Director.

151  
L. K. WHITE  
Deputy Director  
(Support)